

An Investment in Education – Building the Kids' College Fund

In the midst of Fall, many families are back in the busy routine of school and extracurricular activities. However, when you're not shuttling kids to sports practice or helping with homework, take some time to think about their future instead of the present – for many children that future will include college.

Higher education is expensive and even if your little ones are still in diapers, chances are you have already had some fleeting thoughts about how you will pay for your kids' college education.

Experts encourage us to save early for these

expenses. With annual tuition rates at many colleges and universities in the \$20,000-\$30,000 range and climbing, a college

education could be the most expensive thing you ever purchase aside from, perhaps, a home.

Costs Keep Rising

According to the financial aid-centered web site Finaid.org, data from the

Bureau of Labor Statistics shows "the tuition component on the Consumer Price Index (CPI) has increased by 8% per year on average from 1979 – 2001. This means that children born today will face college costs that are 3 to 4 times current prices." Even for parents with moderate to high incomes these figures can seem daunting.

The Key is Saving

Success is achievable, however, and the first thing you can do is start saving. Open an account as soon as

possible whether your child is 16 years old or 16 months old – every little bit helps.

According to Finaid.org, "saving \$50 a month from birth would yield about

\$20,000 by the time the child turns 17, assuming a 7% return on investment." Obviously if you can afford to save more than \$50 a month, all the better it will be for your prospective student(s). If you can't afford more, that could be

where financial aid comes in to the picture. If you think you make too much money to qualify for aid, you should still apply. You might be surprised by the results.

Stashing the Cash

If you are looking for a place to put your child's college fund, Finaid.org publishes a complete list of college savings vehicles on its web site (www.finaid.org). One

that is starting to gain popularity is the 529 savings plan which allows you to invest on behalf of a beneficiary and enjoy tax free distributions as long as the money is going towards qualified higher education expenses.

The Massachusetts Educational Financing

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Financial Aid Basics

Financial aid can come in many shapes and sizes. Loans, grants, and even the occasional merit scholarship can all be part of a prospective student's financial aid package. The first step in the financial aid process would be to determine which schools the student is applying to for admission. Almost everyone should fill out a Free Application for Federal Student Aid (FAFSA) which uses a federal formula to determine how much need-based aid you should qualify for. Many private schools will require additional information including an application customized by the college or university's financial aid office as well as another form called the Profile which is used to more closely examine your finances when determining aid.

Schools look at the assets and income of the parents and the student, but put much more emphasis on that of the student. For example, the parents' expected contribution for

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Sock Away More For Retirement

Employees who participate in the 457 deferred compensation plan currently managed by ING will soon be able to put away even more money for retirement. In accordance with the federal pension reform laws that were passed in 2001, the maximum annual contribution for 457 plans is slated to increase from \$12,000 to \$13,000 as of January 1, 2004.

If you are age 50 or older the law allows you to contribute up to \$16,000 to this tax-deferred savings plan. If you qualify for "catch-up" you may be able to defer up to \$26,000! For more information about contribution limits or any aspect of the deferred compensation plan, please contact our ING representative Nicole Payne at (617) 328-8868 x222.

If you wish to increase your weekly contribution (including those who are already at the max) you will need to complete a new form which Nicole can provide – please contact her as soon as possible to obtain the necessary paperwork. To view your account information online go to www.ingretirementplans.com/custom/mass.

Leaving Massport: What to Do With Your Retirement Account

If you are planning to leave Massport before retirement (or perhaps you already have) you should be aware of your options regarding your Massport retirement account.

If you have more than ten years of service then you are vested and can therefore retire and collect a pension from Massport once you are age 55 or older. If you have more than twenty years of service you can retire at any age.

Taking Your Money Out

If you are an inactive member you have the option of withdrawing the contributions you put into your retirement account. If you have less than five years of service, you can withdraw your contributions but you will not receive any interest that has accrued in your account. If you have between five and ten years of service you are eligible to receive 50% of the interest accrued. If you have ten or more years of service you are entitled to 100% of the interest in your account, but you would also be vested which allows you to collect a pension at a later date.

Retirement on Hold

If you are vested you may want to leave your money in the Massport Retirement System until you are ready to start collecting a pension. This is also known as *deferred retirement*. If you choose this option you should contact the

Group Insurance Commission (GIC) to apply for *deferred retiree status*. This helps to maintain your insurability with the GIC while you are off the Massport health insurance plan, potentially avoiding the need for medical testing when it comes time for you to retire. For more information about maintaining insurability with deferred retiree status please call the GIC's Sandra Bryan at (617)727-2310 x3063.

If you are vested and choose to withdraw your retirement money, you forfeit the right to collect a retirement allowance, so it is something that should be given careful consideration! Feel free to call and discuss your options with the retirement staff at (617) 568-3951.

Dealing with Taxes

If you decide to withdraw your retirement money, you may choose between having a lump sum paid to you or rolling the money over to a qualified retirement plan such as an IRA or 401(k) plan (as long as the company is willing to accept the rollover). If you choose the lump sum payment we are required to take 20% off the top as a payment to the IRS. You could also be subject to an additional 10% penalty when you file your taxes the following year. The withdrawal form and tax notice can be accessed online at www.massport.com/about/retir_public.html or you can call the retirement office to request one. ☺

Don't Get Left Out in the Cold

Wintry weather is almost here. Why bother leaving the warmth of your home to deposit your retirement check at the bank? Instead, have your retirement checks deposited directly into your account each pay date! Direct deposit is safe, dependable, and very convenient. Once you sign up you will receive a monthly payment confirmation that looks just like your check so you can see exactly what we deposited into your account (but without making the trek to the bank). To sign up, you need to complete our direct deposit form and send it back to us with a voided check or savings deposit slip that has your bank's routing number printed on it. To request a direct deposit form call the retirement office at (617)568-3951.



Mail-order Drugs

The cost of prescription drugs has risen so dramatically in the United States that there have been news stories on senior citizens taking bus trips to Canada so they can get prescriptions at a more affordable price.

Leaving this major problem to be resolved by experts in health care and government, *Outlook* is here with a simple reminder for our readers: as a Massport employee or retiree, you can save money on prescription drug co-payments by purchasing prescriptions through the mail. This is a great way to save both time and money by having your prescriptions delivered to your doorstep for a fraction of the price.

In most cases you can get up to a 90-day supply for one co-payment, making this an ideal approach for saving on medications you take regularly. The specifics of the prescription by mail program may vary depending upon your health plan.

To get started ask your doctor for a 90-day prescription (plus refills), then call your health plan's pharmacy program to apply for the mail service prescription program. For Blue Cross you may call toll-free (800) 892-5119. If you are on a Group Insurance Commission (GIC) health plan call toll free (877) 828-9744. If you have a GIC HMO, please contact your HMO directly (the number can usually be found on the back of your card). Now use the time you would have spent at the pharmacy to think about what you'll do with all that money you'll be saving!



Military Buyback: A Clarification

In the last issue of *Outlook* we reported that war veterans could have military service applied to their Massport retirement benefit ("Veterans Can Get Credit for Military Service"). The military buyback legislation was enacted in 1996 and applies only to active members, therefore those who have already retired are not eligible. We apologize for any confusion this may have caused.

Notes from HR

Health Care Reminder

All retiree and survivor health insurance premiums are paid by Massport. Occasionally the Group Insurance Commission (GIC) will send a bill to a Massport retiree or survivor to cover partial premiums – this is done in error! If you receive a bill from the GIC please don't pay it. Instead, contact Loren Riley in the Massport Human Resources department at (617) 568-3920 and she will help you resolve the billing error.

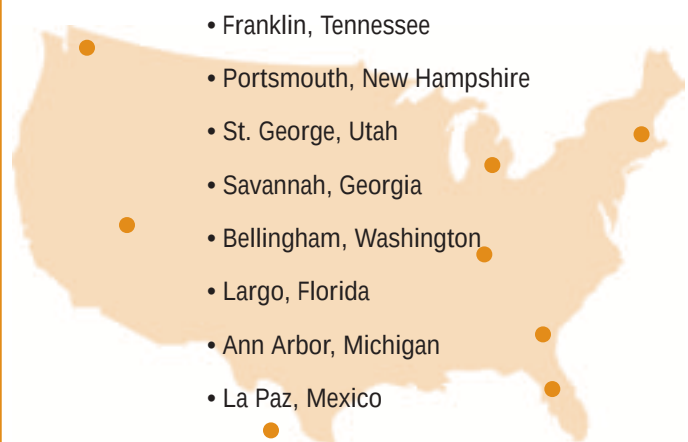
Thank You for Being Efficient

Massport Human Resources would like to thank all the retirees who promptly sent in the paperwork necessary to process Medicare reimbursements. You made HR's job easier by being so organized!

There are still some retirees and survivors who have not returned the paperwork necessary to process their Medicare reimbursements. Please get this information in as soon as possible. Send it to Loren Riley, Massachusetts Port Authority, One Harborside Drive, East Boston, MA, 02128-2909.

Best Places to Retire

According to a recent feature in *MONEY* Magazine, these are the best places to retire:



The magazine's editors looked at "locales with solid financial footing and good healthcare options." If you want to read more, log on to money.cnn.com/best/bpretire.

COLLEGE– Cont'd from pg. 1

Authority (MEFA) sponsors a 529 plan called the *U. Fund* that is professionally managed by Fidelity Investments. Don't confuse this with MEFA's *U. Plan* which is limited to colleges and universities within Massachusetts. The *U. Fund* distributions can be used to pay expenses at any accredited post-secondary school anywhere in the United States. And if your son or daughter decides to postpone college indefinitely, you can always transfer the account to another beneficiary in your family or even make yourself the beneficiary.

U. Fund participants can start with a minimum investment of \$1,000 or sign

Almost every state in the country offers one or more 529 plans.

up for Fidelity's Automatic Account Builder with only \$50 taken directly out of your bank account every month or as a direct deposit from your paycheck (with this option you also get to waive the \$30 annual maintenance fee). Investment programs are tailored according to the age of the beneficiary. For more information go to www.mefa.org or call toll-free (800)544-2776.

Look for the Best Deal

The *U. Fund* is not the only choice out there. Almost every state in the country offers one or more 529 plans and you don't have to be a resident of that state to participate. For a detailed listing of 529 plans across the United States go to www.savingforcollege.com.

Grandparents Can Get in On the Act

You can also open a 529 savings plan for your grandchild(ren). The nice thing about this gift is that, as the account owner, you control the distribution of assets. You can contribute up to \$55,000 (\$110,000 for married couples) per

beneficiary without incurring a federal gift tax.

A Very Special Gift

If you don't like 529 plans, you could try investing money somewhere else and "gifting" it to your children when tuition bills arrive. According to Finaid.org, "You can give up to \$11,000 per beneficiary each year without incurring a gift tax or needing to report the gift on a tax return. Married couples can transfer a total of \$22,000 per beneficiary." If you are considering this method of college funding you should consult a professional tax advisor. ☞



Caution: Retirement Ahead

Saving for college is important but saving for retirement should be your #1 priority. Disagree? Well, we don't want to downplay the value of a good education, but remember this – your kids can always apply for scholarships and financial aid. However, **there are no loans available for retirement!** Pay yourself first. Then contribute to the college fund. Your kids will benefit in the long run when they have retired parents who are financially independent!

AID BASICS– Cont'd from pg. 1

tuition payments could include up to 5-6% of your assets, but your child will face an assessment of 30-35% of assets owned in his or her name (Note: this is a case where a 529 plan can be useful since the asset is considered to be that of the parents, or account owners, rather than that of the beneficiary).

Make it an Early Decision

Your chances of getting a favorable financial aid package are better if you send the forms in early. The Profile can be sent in as soon as you've narrowed down your list of schools, but the FAFSA can't be sent until after January 1st (and you'll probably need to wait a bit longer for tax information to arrive).

However, don't let too much time go by! Get those forms in ASAP to ensure fair consideration during the award process. Forms can usually be obtained from the high school guidance office, college financial aid offices, and in some cases, your local library. You can also apply online at www.fafsa.ed.gov (for the FAFSA) and www.collegeboard.com (for the Profile).

Study Aid

For more information on financial aid consult your local bookstore or library. Two books that might be helpful are "Paying for College Without Going Broke, 2004" by Princeton Review and "College Financial Aid for Dummies" by Herm Davis.

If you live in the Boston area, check out the **Higher Education Information Center (HEIC)** located inside the Central Branch of the Boston Public Library in Copley Square. A great resource for scholarship searches, the Center also houses a multitude of information on schools, financial aid and careers. All services are free, including the multilingual counselors who are available to help with completing admission and financial aid applications. Information about the HEIC can be accessed online at www.heic.org or via the toll-free hotline 1-877-ED-AID-4U.

Once you pass the financial aid hurdle, don't forget to ask your tax advisor about college-related tax breaks including the Hope Credit and Lifetime Learning Credit. ●

Web Watch

For those of you who have access to the Internet, there is a wealth of information to be found there. In this section we highlight web sites that we have found helpful, informative, interesting or just plain fun.

Get Your Retirement Savings to Play Ball

Do you wonder how much money you should be saving for retirement? You can find out thanks to the American Savings Education Council (ASEC) and its Ballpark Estimate worksheet which can be accessed online at www.asec.org/ballpark. Spend a few minutes with this interactive calculator and it can give you a rough



idea of how much you should be putting away for retirement. The numbers are based on how much income you want in the future, what benefits you expect to receive (i.e. Social Security and pension payments), how much you've saved so far (if anything) and how many years before you plan to retire. Find out today and start saving!

Time to Clean House – Financially Speaking

After you get the Ballpark Estimate and find out how much you *should* be saving for retirement (and somebody picks you up off the floor) you might want to work on getting your financial house in order to get a leg up on achieving your goals. Check

out the Consumer's Almanac (www.pueblo.gsa.gov/cic_text/money/almanac/calmanac.htm) to get some basic tools and advice on straightening out your finances. This no-frills site features an Annual Income, Savings and Expenses Chart which can help you get it all together and get organized.

Help for Sky-High Housing Costs

Massachusetts is the least affordable state in the country based on housing costs vs. wages according to a recent study by the National Low Income Housing Coalition based in Washington, D.C. It's even less affordable than California and New York! If you're one of many in this state



looking for a reasonably-priced place to call home, you may want to check out the Massachusetts Housing Finance Agency web site (www.masshousing.com). Here you can find information about various programs for homeowners and first-time homebuyers including home improvement loans, the *Municipal Mortgage Program* for public employees and the *Take the 'T' Home Mortgage Program* which offers home-buying assistance to riders of the MBTA.

** Legal note: The Retirement System is not responsible for the content of these web sites or for the accuracy and completeness of any information contained in them.*

More Ways to Save with Flexible Spending

November is open enrollment for Flexible Spending Accounts for both health care and dependent care. If you are an active employee and haven't used this benefit before, now is a great time to start reaping the rewards!

With new regulations set forth by the IRS, this tax-savings plan now allows you to pay for some over-the-counter medications with pre-tax dollars! This is one of

a few changes the IRS has made to enhance this program for consumers.

If the IRS "use-it-or-lose-it" rule prevented you from participating in the past, the new flexibility of the plan could be just what the doctor ordered! Signing up is easy (but be sure to do it by HR's deadline at the end of November). Once you're on the plan, getting reimbursed for your expenses is quick and painless – just ask co-workers

who already participate.

For more information about this valuable employee benefit, please contact human resources' benefits office at (617) 568-3920.

TIP: To get a rough idea of how much should go into your Flexible Spending Account for health or dependent care, check out the calculators at www.wageworks.com. You don't have to be a participant in their products to use the calculators.

Transitions

★ Congratulations

The following people retired recently and we wish them all the best for a successful future:

- ★ Anne Aylward
- ★ Denis Keenan

☺ Condolences

We regret to inform you that the following retiree has passed away:

- ☺ Bob Adam

Book Corner

The retirement office has an employee lending **library** that offers many books on personal finance topics including retirement planning, budgeting basics, investing, taxes, and estate planning. To check out a book, please contact Lisa Allen Brown at (617) 568-3903.

● Taking Stock of Your Portfolio

Learn about investing from one of the best – retired

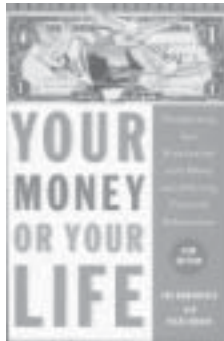
Fidelity fund manager **Peter Lynch**. In Lynch's bestseller **"Beating the Street"** you can learn how to research companies and pick

stock based on more than just a catchy name or hot tip. Lynch has an "invest in what you know" strategy that has demonstrated significant results. If you invested \$1,000 in Fidelity's Magellan fund when Lynch managed it in 1977, your investment would have been worth \$28,000 when Lynch retired as manager of the fund on May 31, 1990. This is a great book for anyone who wants to learn more about investing, especially if you are interested in stocks.



● Life Without Debt

Getting out of debt can require radical changes to your lifestyle and spending habits and it can be difficult, if not impossible, to know where to start. **"Your Money or Your Life"** by **Joe Dominguez** and **Vicki Robin** demonstrates how debt and constant money worries can take over your entire existence. However, there is a light at the end of the tunnel. In this book Dominguez and Robin seek to transform your relationship with money and help create a roadmap that leads to financial independence. If you are looking to gain control of your financial life this book may be for you.



Calendar

NOVEMBER

- 1** Money Conference for Women, Hynes Convention Center, Boston. FREE event — Go to www.moneyconferenceforwomen.com or call 617-367-6900 for registration information. Space is limited.
- 4** Election Day – Be sure to vote!
- 11** Veterans' Day: Massport offices closed
- 21** Retirement Board Meeting: Logan Office Center, Board Room, 10:00 a.m.
- 25** Retirement checks mailed
- 27** Thanksgiving Day: Massport offices closed

DECEMBER

- 7** Pearl Harbor Remembrance Day
- 17** Retirement Board Meeting: Logan Office Center, Board Room, 10:00 a.m.
- 19** Hanukkah begins at sundown
- 22** Winter begins
- 25** Christmas Day: Massport offices closed
- 26** Retirement checks mailed

**Meeting schedules are subject to change*

Retirement Board & Staff

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